

## **GASB Preliminary Views**

By: Edward Friend, EFI Actuaries

There are those among us who are opposed to the Preliminary Views in their entirety and would prefer the principles of GASB 45 be applied.

This would require that accountants recognize the ARC as a basis for its conclusions and would lead to a consistency between accounting and funding. Moreover, It would remove the need to explain to the public that funding and accounting are different and why.

It would clearly establish that actuaries, not accountants, are expected to preside over determinations as the soundness of the financial position of these plans.

GASB is pinned to its position on post-employment benefits other than pensions in GASB 45.

GASB 45 acknowledges the preeminence of the actuary. If the Preliminary Views are embraced, GASB is likely to abandon GASB 45 in favor of the principles of the Preliminary Views. Its ultimate goal of developing measures of comparability could well lead to the requirement that all plans utilize a specified discount rate in reporting its actuarial liabilities *for accounting purposes*. This would be troublesome.

\*\*\*\* Supplemental Submission \*\*\*\*

After having presented to our Sub-Panel member, Paul Angelo, the notion of substituting GASB 45 principles for those embodied in the Preliminary Views, he agreed that it would enable actuaries to retain jurisdiction which would otherwise be seized by the accountants. The only problem, he observed, is that GASB 45 enables *too much flexibility* ... and that this would enable actuaries to abuse proper practice, particularly when under pressure to reach inappropriate conclusions.

In response I am recommending that under the auspices of CAAP, we take upon ourselves responsibility to set standards for actuarial practice respecting DB plan actuarial servicing in California, recognizing that we would always acknowledge state law as overriding and that variations always be permitted when the actuary provides supportable justification. In order to get things moving, I also recommend that Paul Angelo be instructed to put together a first draft of such standards.